

# FISCAL NOTE

**Bill #:** HB0766

**Title:** Revise video gambling machine taxes to fund certain programs

**Primary Sponsor:** Juneau, C

**Status:** As Introduced

Sponsor signature	Date	Chuck Swysgood, Budget Director	Date
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## Fiscal Summary

	<b><u>FY 2004 Difference</u></b>	<b><u>FY 2005 Difference</u></b>
<b>Expenditures:</b>		
General Fund	\$0	\$0
State Special Revenue	\$16,855,800	\$16,855,800
<b>Revenue:</b>		
General Fund	(\$880,000)	(\$880,000)
State Special Revenue	\$16,855,800	\$16,855,800
<b>Net Impact on General Fund Balance:</b>	(\$880,000)	(\$880,000)

- |                                                           |                                                                   |
|-----------------------------------------------------------|-------------------------------------------------------------------|
| <input type="checkbox"/> Significant Local Gov. Impact    | <input checked="" type="checkbox"/> Technical Concerns            |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts |
| <input type="checkbox"/> Dedicated Revenue Form Attached  | <input checked="" type="checkbox"/> Needs to be included in HB 2  |

## Fiscal Analysis

### ASSUMPTIONS:

1. Because of the incremental increases in tax at four, seven, and eleven machines, one-half of the operators who currently have four, seven and eleven machines permitted at their locations will drop one machine to fall into the lower tax bracket. The bill also requires an incremental increase in tax at 20 machines. However, because the average machine income for those with 20 machines is so much higher than those in next lower bracket, it is assumed the increase in tax will not result in a measurable decrease in machines permitted. Reductions in machines permitted in locations that currently permit four, seven and eleven machines will result in a reduction in permit fees paid by \$168,400 which will result in an equal decrease between the gambling state special revenue fund and local governments in the amount of \$84,200.
2. The bill also requires a portion of the tax equal to the current 15 percent of the gross machine income to be deposited in the general fund. However, because of the projected reduction in the number of machines reporting from current level, the amount of video gambling machine tax deposited in the general fund will go down. Using FY 2002 average reported machine income from locations with four, seven and eleven machines, the Department of Justice assumes the reduction in video gambling machine tax to the general fund will be \$880,000 per year.

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(continued)

3. All tax collected in excess of the 15 percent is to be deposited in state special accounts: 3 percent to the Board of Regents to fund non-beneficiary students at Montana tribal colleges and 97 percent to a state special fund of the Department of Health and Human Services. The DOJ estimates the increase in tax rates will produce an additional \$16,940,000 in tax. After netting the increase against the state special revenue decrease in the gambling state special revenue fund mentioned above, the net change in special revenue will be \$16,855,800 annually (\$16,940,000 – \$84,200) available for expenditures by higher education and health and human services at \$505,674 and \$16,350,126 respectively. .
4. The DOJ will be able to administer the provisions of this bill without additional staff or expenditures.

FISCAL IMPACT:

	<u>FY 2004 Difference</u>	<u>FY 2005 Difference</u>
<u>Expenditures:</u>		
Commissioner of Higher Education	\$505,674	\$505,674
DPHHS	<u>16,350,126</u>	<u>16,350,126</u>
TOTAL	\$16,855,800	\$16,855,800
<u>Funding of Expenditures:</u>		
State Special Revenue (02)	\$16,855,800	\$16,855,800
<u>Revenues:</u>		
General Fund (01)	(\$880,000)	(\$880,000)
State Special Revenue (02)	\$16,855,800	\$16,855,800
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>		
General Fund (01)	(\$880,000)	(\$880,000)
State Special Revenue (02)	\$0	\$0

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

1. Local governments will have a \$84,200 decrease in revenue each year.

LONG-RANGE IMPACTS:

1. The increased revenue will continue in future years.

TECHNICAL NOTES:

1. Appropriations to Montana tribal colleges for non-beneficiary students have historically been paid out of the general fund. There currently is no state special revenue account associated with non-beneficiary students.